Management Employees Pension Plan

MEPP

1999 Annual Report

100-07384/

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A Profile of the Management Employees Pension Plan

- MEPP is a contributory defined benefit pension plan established in 1972 for managers within the provincial public service and approved agencies, boards and commissions.
- A unique feature of the Plan is that the employer participates in the Public Service Pension Plan (PSPP) for its non-management staff. There is some movement between PSPP and MEPP due to job changes with the same employer. To deal with this, the concept of "combined pensionable service" was introduced in 1994.
- The Plan serves 3,003 active members, 1,032 deferred members, 1,183 pensioners, and 18 employers.
- The Plan is financed by member and employer contributions and investment earnings.
- The Investment Management Division of Alberta Treasury manages all funds through a diversified investment portfolio of bonds, domestic and foreign equities, money market securities and mortgages.
- The Plan is administered by Alberta Pensions Administration (APA) Corporation.
- The net assets of the Plan available for benefits were $1.4 billion as at December 31, 1999.

Management Employees Pension Board

Board Structure

The Management Employees Pension Board advises the Provincial Treasurer on all aspects of the management of the Plan. The Board has seven members, including three employee nominees, three government nominees, and one Public Service Commissioner nominee.

Front Row (Left to Right): *Theresa Ostrum, Jack Phelps (Chair), Dianne Keefe (Vice-Chair)* ***Back Row (Left to Right):*** *Tony Morehen, Shirley Howe, Fred Barth, Absent - Bob Algar*

Board Responsibilities

The Board advises the Provincial Treasurer on policy guidelines for the investment management and the administration of the Plan.
The Board is also responsible for:

- setting general policy guidelines for the investment and management of the Plan's assets;
- recommending contribution rates to fully fund past and present service;
- arranging an actuarial valuation at least once every three years; and
- reviewing administration decisions and ensuring the Plan is effectively administered.

Board Members—1999

Employee Nominees

Jack Phelps, **Chair**
Tony Morehen
Theresa Ostrum

Government Nominees

Dianne Keefe, **Vice-Chair**
Robert Algar
Fred Barth

Public Service Commissioner Nominee

Shirley Howe **(Non-voting)**

Message from the Chair

Jack Phelps, Chair

On behalf of the Board, I am pleased to provide pension plan members with an update on the major accomplishments of 1999.

1999 was a year of progress for the Management Employees Pension Plan (MEPP). We saw considerable investment returns during the past year, which increased the Plan's economic health. As well, we achieved resolution on a number of long-standing policy issues.

Plan Valuation

The MEPP no longer has an unfunded liability based on the results of the actuarial valuation conducted as at December 31, 1999. This means that the Plan has marketable assets to back all pension promises, plus a surplus of $46.0 million. By year-end, the market value of the Fund's investments increased to $1,447 million from $1,306 million the previous year. The value of accrued pension benefits in turn increased to $1,312 million from $1,251 million in 1998. The Plan remains in solid financial shape for meeting members' future pension benefits.

Investment Performance and Policy

1999 was a banner year for investment performance. The Plan's portfolio realized a combined 16% return on investments. This is well above the 7.25% return required to adequately fund the Plan. Our returns over the last four-years have averaged 13.8%, which shows investment strength over a short and a long-term basis. An extensive discussion of investment management is published as part of this annual report on page 6 in the Management Discussion and Analysis.

Investment results are important to the Plan's financial success, contributing the largest single source of Plan income. The Board guides investment activity through a policy statement that sets out investment objectives, asset mix, investment authorizations and constraints, benchmarks and performance measures. During 1998 the Board made a number of investment policy changes, which were fully implemented in 1999. No further changes were made to the investment policy in 1999.

The Board approved in 1999 establishment of a standing Investment Committee with external members to oversee investment performance and ensure it remains a top priority on our overall agenda. Committee members will be appointed during 2000.

Member Benefits and Plan Administration

Alberta government restructuring has affected MEPP and its members for several years. A number of public sector employees have transferred from one pension plan to another because their employers no longer participate in the MEPP. However, benefits and entitlements vary from plan to plan, creating liabilities for some funds and lower benefits for some members who move to new pension plans. In reviewing the issue with other pension boards and the Provincial Treasurer, the Board agreed to a method of transfer to keep transferring employees' pensions whole. At the same time, a method of valuing the transfers was agreed to, which minimized the liabilities accruing to some plans. In keeping with the goal of keeping employees' pensions whole, some MEPP participants affected by restructuring will remain in the MEPP. All new managers hired by affected employers will participate in the Local Authorities Pension Plan (LAPP). At the end of 1999, only the arrangements for Alberta Vocational College remain unresolved.

On a related issue, the Board also furthered development of a policy on board and agency participation in the Plan. As well, the Board recommended regulations for the withdrawal of Alberta Treasury Branches, effective January 1, 1999. The regulation approved the withdrawal on a cost-neutral basis to the Plan after assurances were received from Alberta Treasury Branches that Treasury Branch employees would receive pension benefits at least equal to MEPP's.

To alleviate long-standing difficulties with pension plan coordination, the Board requested a redraft of regulations for implementation in 2000 to simplify and clarify coordination options. The changes are expected to eliminate the joint life without guarantee pension option, ensure a standard coordination amount is used, and eliminate the coordination of small pensions.

This will help ensure members make informed choices about pension plan coordination.

Governance Structure

In 1999 the Board began to study the Plan's governance structure. The Board functions in an advisory capacity to the Provincial Treasurer, recommending policy guidelines for the investment, management and administration of the Plan. The Board will continue to assess governance options with the objective of providing members with the most effective governance.

Communication

Publication and distribution of the MEPP Annual Report continues to be the primary communication vehicle for the Board. However, in 1999 we augmented our communications services by posting the 1998 Annual Report, a Highlights Brochure and the MEPP Members' Handbook on the Internet. This information is featured on Alberta Pensions Administration's Web site at www.apaco.ab.ca. Members can also use this website to request more information about the Plan, their individual accounts, or send comments to the Board.

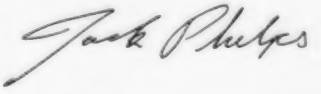
Board Membership

The Board is comprised of seven members, including three employee nominees, three government nominees and one Public Service Commissioner nominee. During 1999 a number of Board membership changes occurred. Bill Lenius of the Agriculture Financial Services Corporation was appointed to fill my position. Robert Algar ended his term as a government nominee, with his replacement yet to be named.

The role of Board Chair rotates between government and employee nominees.

As I end my term on the Board, my position as Chair will be turned over to Dianne Keefe, the Board's Vice-Chair and a former Chair. My work with the Board has proven educational and enjoyable, due in large part to the expertise of my colleagues. I thank them for their support.

Finally, I would like to take this opportunity on behalf of the Board to express our appreciation to Alberta Pensions Administration Corporation and the Investment Management Division of Alberta Treasury for their respective administration and day-to-day Plan management functions.



Jack Phelps
Chair
Management Employees Pension Board

Management Discussion and Analysis

This section discusses the Plan's financial performance during 1999 along with a review of the Plan's investment management and administration.

The Board's Responsibilities

The MEPP Board acts as an advisor to the Provincial Treasurer in all investment and administration matters relating to the Management Employees Pension Plan (the "Plan") and the Public Service Management (Closed Membership) Pension Plan (the "Closed Plan") and has the general power to comment to the Minister on any matter that the Board feels should be brought to the Minister's attention.

The Board is responsible for overseeing the investment and administration of the Closed Plan, which was established to provide for the payment of pensions for those who retired prior to 1992. The Minister is required to consult the Board on the following:

- The results of an actuarial valuation of the Plan at least every three years;
- Plan rule changes, or adjustments to the employee or employer contribution rates to ensure that the Plan is meeting funding and solvency requirements;
- Proposed amendments to the Public Sector Pension Plans (Legislative Provisions) Regulation;
- Any changes the Minister intends to make to the administration of the Plan; and
- Changes to the Plan provisions set out in the Plan Rules.

Financial Highlights

An actuarial valuation conducted as at December 31, 1999 by the Actuary revealed that the Plan no longer has an unfunded liability. The following table summarizes the valuation results:

Table 1

Actuarial Valuation Results
Management Employees Pension Plan

December 31, 1999
($millions)

	Pre-1992	Post-1991	Total
Assets*	998.5	360.2	1,358.7
Liabilities			
Active Members	367.7	222.4	590.1
Pensioners	438.1	70.2	508.3
Deferreds	166.5	47.8	214.3
	972.3	340.4	1,312.7
Surplus	26.2	19.8	46.0
Normal cost as a % of pay			18.7%

* The actuarial value of assets and liabilities includes an estimate of $1.0 million, which represents the present value of future employee prior service contributions.

The legislation requires that the Plan meet the solvency test for post-1991 assets and liabilities. Table 2 shows the solvency test results.

Table 2

Solvency Valuation

December 31, 1999
($thousands)

	Post-1991
Assets	381.7
Liabilities	
Active Members	245.6
Pensioners	69.3
Deferreds	48.6
Total Solvency Liabilities	363.6
Solvency excess	18.2

Current Service Contributions vs Normal Cost of the Plan

Currently, employees and employers make current service contributions of 7% and 8% of pensionable salaries respectively, for a total current service contribution of 15%. They also pay additional contributions to assist in eliminating the Plan's unfunded liability in respect of pre-1992 service. Additional contributions are 0.75% and 2.75% for employees and employers, respectively, for an overall contribution rate at December 31, 1999 of 18.5% of pensionable salaries.

In the 1999 actuarial valuation report, the Actuary determined that the unfunded liability of the Plan had been eliminated as at December 31, 1999 and that additional contributions are no longer required.

The 1999 actuarial valuation showed the current service cost of the Plan to be 18.7% of pensionable salaries. The actuary recommended that the current service contribution rate required to fund the Plan be increased from 15% to 18.5% effective January 1, 2000, with the balance (0.2% of pensionable salaries) to be taken from surplus. The Board, in turn, has made this recommendation to the Provincial Treasurer.

The Plan's current service cost has increased due to the aging of the Plan's members. In 1999, the average age of members was 48 years. The average age of members is expected to increase over the next few years, resulting in further increases to the current service cost of the Plan.

Investment Management

The assets of MEPP are held in trust by the Provincial Treasurer and invested solely for the benefit of the Plan's beneficiaries. The assets are invested according to the investment policies and guidelines of the Board. Day-to-day management of the assets is delegated to the

Investment Management Division (IMD) of Alberta Treasury.

For 1999, the Plan earned an overall 16.0% return on investments, while the four-year return was 13.8%. In both cases, returns exceeded the one-year and four-year policy benchmark. In addition, the returns are above the assumed investment return requirement of 7.25% and substantially exceed the rate of inflation. Investment results continue to contribute to an improvement in the Plan's funded status. On a relative basis, the Plan exceeded the performance of the SEI Median Manager in 1999, which returned 11.3%. By year-end, the Plan investments had increased to $1,447 million.

The Board makes recommendations to the Minister with respect to the Plan's investment policy. This Statement of Investment Policies and Goals includes the investment objectives, the asset mix policy, the permitted investments, the constraints in terms of quality and quantity of particular investments, and the use of active or passive strategies and benchmarks. Performance is measured against the benchmarks.

The investment objective for MEPP is for the assets of the Plan to earn a rate of return on a prudent basis sufficient to meet or exceed the growth in the Plan's liabilities. This is achieved through a diversified portfolio and includes allocations to equities for growth and to bonds to generate income and manage market volatility. The Board recommends the long-run asset allocation of the Plan and measures the relative value added of the investment manager against a return based on the "passive" investments established in the long-run asset allocation and against a peer group of other Canadian pension plans.

The investment policy also establishes the degree to which IMD can change the asset allocation or product mix to add value relative to the policy benchmark. In addition, each individual product has a specific value-added target.

The asset allocation policy established for MEPP is illustrated below:

Actual Asset Mix

	Policy Range		Policy Asset Mix	Actual Asset Mix	
	Min	Max	1999	1999	1998
Fixed Income					
Cash & Short-term	0 - 20%		2%	0.9	0.3
Long-term	30 - 60%		40%	35.9	44.2
Real Return Bonds	3%		3%	2.8	1.5
Total	30 - 60%		45%	39.6	46.0
Equities					
Canadian Equities	20 - 40%		30%	34.2	28.0
Foreign Equities	20 - 30%		25%	26.2	23.7
Real Estate	0.0%		0.0%	0.0	2.3
Total	40 - 70%		55%	60.4	54.0

Based on a decision in 1998, real estate was eliminated in 1999 as an asset class and the policy allocation for real return bonds is being increased by 1 percentage point per year to 5% in 2001.

Pools are used to minimize costs and nearly all the Plan's investments are held through pools. As a result, IMD has been able to continue to maintain a relatively low cost structure. Overall, investment costs were about 9 basis points of the Plan's total assets, well below the industry average of 34 basis points.

Equities

As of December 31, 1999, investments in equities totalled $873 million, or 60% of all investments. This compared with $704 million, or 54% of the Plan's assets as of December 31, 1998.

Canadian Equities

At year-end, the value of holdings in Canadian equities was $495 million, representing 34% of the Fund.

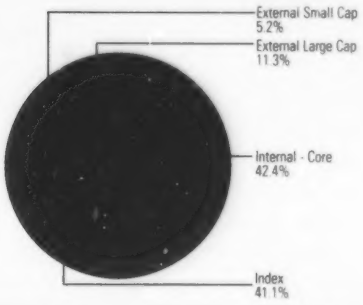
The Plan's Canadian equities component returned 28.9% during 1999, 2.8% below the Toronto Stock Exchange (TSE) Index return of 31.7%. The performance of the TSE was dominated by two issues, BCE Inc. and Nortel Networks, which accounted for 72% of the total return of the Index.

The Canadian equities component is based on a diversified management structure that includes both indexed and actively managed mandates.

Two mandates are managed internally, the indexed and the core products. The indexed pool, which replicates the TSE 300 Index benchmark, returned 32.1%. The core mandate, which is managed on a tightly constrained basis relative to the benchmark, returned 33.2%.

The externally managed mandates under-performed the benchmark. Managers with specialized mandates to invest in small cap companies returned 8.4% in aggregate, while managers with mandates to invest in large cap companies returned 16.3%. Managers investing in small cap companies were unable, by the nature of their mandate, to invest in either BCE Inc. or Nortel Networks. Managers with broader mandates all held reduced weightings in both stocks as they felt valuations for both companies had exceeded a reasonable basis on which to invest. Further, reflecting the market weight of the two stocks in their portfolios would also result in excessive concentration.

Summary of Canadian Holdings



IMD's Top 10 Canadian Equity Pool Holdings

Company	% of Pool Holding
Nortel Networks Corp.	9.5%
BCE Inc.	8.2%
Toronto-Dominion Bank	2.6%
Royal Bank of Canada	1.8%
Bank of Montreal	1.8%
Seagram Co Ltd.	1.7%
Bank of Nova Scotia	1.7%
Bombardier Inc.	1.4%
Alcan Aluminum Ltd.	1.3%
Celestica Inc.	1.2%

International and US Equities

International (including US) equity holdings were valued at $378 million at year-end, representing 26% of all investments.

The Plan's foreign equity component returned 30.2% versus a benchmark return of 18.1%. The strong relative performance was attributable to several factors.

- The managers in the Pacific Basin were able to out-perform their benchmark by a substantial amount. Much of the out-performance came from Japan where investments were directed at stock benefiting from the structural changes occurring in the Japanese economy.
- An over-weight in the Pacific Basin, which was the strongest performing market during the year.
- A significant portion of the Plan's foreign equity exposure is in the form of equity swaps, where the income on Canadian short-term instruments is swapped for the return of a foreign equity index in the foreign currency. This allows the Plan to maintain a foreign equity exposure greater than 20%. As the transactions for the most part are done in Canadian dollars, the equity swaps will out-perform relative to an unhedged benchmark if the Canadian dollar increases in value, as was the case in 1999.
- Improved relative performance from the US component. In the past, the US component had significantly under-performed its benchmark, the *Standard and Poor's* (S&P) *500 Index*. Over the last four years, investment managers in general have had a difficult time out-performing this Index. In 1998, IMD decided to wind-up the internally managed US pool and replace it with an index pool which would match the return of the S&P 500 Index. As a result, the variance from the Index has been substantially reduced.

The foreign equity exposure is broadly diversified across all markets. Relative to the policy benchmark which is equally weighted between the US and International equities, the Plan has a slight under-weight in the US offset by an over-weight in International equities particularly in the Pacific Basin.

Summary of Foreign Equity Holdings

The following tables present the top ten holdings for the US Equity Pool and the International Equity Pools managed by IMD. The MEPP's participation in the various pools is determined by the relative value of the MEPP's total investments versus the investments of other plans and funds managed by IMD.

IMD's Top 10 US Equity Pool Holdings

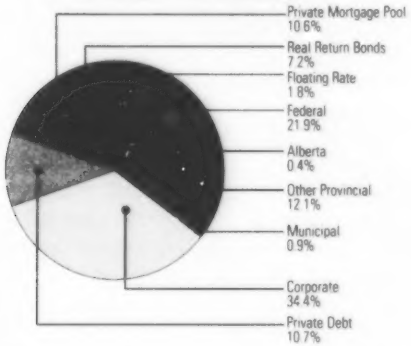
Company	% of Pool Holding
Microsoft Corp.	4.4%
General Electric Co.	3.7%
Cisco Systems Inc.	3.6%
Citigroup Inc.	2.8%
MCI Worldcom Inc.	2.2%
EMC Corp.	2.2%
Exxon Mobile Corp.	2.1%
Intel Corp.	2.0%
Lucent Technologies	2.0%
Motorola Inc.	1.8%

IMD's Top 10 International Equity Pool Holdings	
Company	**% of Pool**
Nippon Tel+Tel CP	2.0%
Nokia AB OY	1.9%
Total Fina	1.8%
Fujitsu	1.5%
Sony Corp.	1.4%
Deutsche Telekom	1.4%
BP Amoco	1.4%
Mannesman AG	1.2%
Softbank Corp.	1.2%
NTT Mobile Communications	1.2%

Fixed Income

As of December 31, 1999, the market value of the fixed income portfolio was $573 million or 40% of total investments.

Summary of Bond Holdings



The fixed income component is invested in a broadly diversified pool of publicly-traded bonds, privately-issued bonds, real return bonds and mortgages.

Interest rates rose through the course of 1999. The 91-Day T-Bill rate rose from 4.7% to 4.9% while the 10-year bond yield rose from 4.9% to 6.2%. As bond yields rise the price of bonds decline. As a result, the bond market, as measured by the Scotia Capital Markets Universe Bond Index, recorded a -1.1% return for the year.

The Plan's overall fixed income return in 1999 was -1.0% -- slightly ahead of the benchmark Scotia Capital Markets Universe Bond Index return of -1.1%.

The Plan's bond component equaled the Scotia Capital Markets Universe Bond Index benchmark return while the mortgage component returned 0.1% for the year. The Plan has a 3% allocation to real return bonds, which will increase to 5% over the next two years. The best performing fixed income category was real return bonds, which returned 8.1% for the year, slightly ahead of the benchmark return of 8.0%.

The Plan's short-term component returned 5.3% for the year, 60 basis points higher than the Scotia Capital Markets 91-Day T-Bill Index.

Control

A number of controls are in place to ensure the proper management of the investments. A key principle is the separation of duties. The investment accounting group and back office functions report independently through the Assistant Deputy Provincial Treasurer and not to the Chief Investment Officer. An important responsibility of IMD is to ensure that controls and limits are complied with and each transaction is properly documented. All assets remain in the safekeeping of a custodian (CIBC/Mellon for domestic assets and State Street for international/ externally managed assets) and trades cannot be settled without proper authorization.

A system of trading limits is in place within IMD and all trades are reviewed by the Chief Investment Officer or his designate. To provide a measure of control over the re-allocation of funds, the portfolio manager or the associate portfolio manager for MEPP approves all re-allocation of Plan funds among different investment pools. There is extensive use of peer review to set strategy, assess performance, approve the implementation of any investment program and manage assets.

The Board uses SEI Canadian Finance Service Limited to provide a third-party review of IMD's performance.

Plan Administration

Alberta Pensions Administration (APA) Corporation is one of the largest public sector pension plan administrators in Canada, administering eight statutory pension plans for five pension boards and the Government of Alberta. APA administers MEPP by:

- Collecting contributions;
- Keeping accurate and secure records;
- Paying benefits to pensioners and to members who are leaving the Plan;
- Providing plan information to active members, employers and pensioners; and
- Supporting the activities of the MEPP Board.

APA administers the Public Service Management (Closed Membership) Pension Plan by paying benefits to pensioners who retired from the MEPP prior to 1994.

APA is a provincial corporation guided by a board of directors, with representatives from the private sector, pension boards and the Government of Alberta. In total, APA services are used by approximately 500 employers, 125,000 active members and 49,000 pensioners.

Statistical Information

The following tables provide statistical information on Plan participation and retirement levels for 1999. Statistics from 1998 are shown for comparison.

Participation

The following table shows the participation in MEPP, excluding approximately 580 MEPP participants who moved to a new Alberta Treasury Branches' (ATB) pension plan following ATB's withdrawal from MEPP as at January 1, 1999. The 1998 figure also excludes ATB for comparison purposes. Former ATB participants in MEPP who retired prior to January 1, 1999 are included in the count of pensioners in 1998 and 1999.

	1999	1998
Active Members	3,003	3,013
Deferred Members	1,032	867
Pensioners	1,183	1,048
Total	5,218	4,928

Withdrawal of ATB Members

The withdrawal of Alberta Treasury Branch managers from MEPP effective December 31, 1998 was concluded on a cost-neutral basis during the year. (See Note 10 to the Financial Statements on page 26).

New Pensioners

	1999	1998
Retirements	130	158
Death Benefits to Spouses	5	4
Total	135	162

New Pensioner Retirement Choices

	1999	1998
Single Life	6	4
Normal	112	147
Guaranteed Term	17	11
Total	135	162

Monthly Payment Distributions as at December 31, 1999

Dollar Value $ Per Month	Member Pensions	Spouses Pensions	Total
1 to 999	96	7	103
1,000 to 1,999	234	15	249
2,000 to 2,999	303	10	313
3,000 to 3,999	342	1	343
4,000 and over	175	0	175
Total	1,150	33	1,183

Business Transformation – Administration System

APA determined the contractor for a new pension administration computer system to be tailored for the APEX (Alberta Pensions Excellence) project was not meeting performance targets.

As a result, the APEX project was put on hold in January, 2000. Full details of the matter were communicated to all pension plan board members, the Provincial Treasurer and other stakeholders on January 24, 2000.

APA's current pension administration system remains functional and will be updated to accommodate near-term customer requirements. An evaluation of other options for a pension administration system is to be completed by late May, 2000 for consideration by the APA Corporate Board and stakeholders. An outside consultant will assist in the evaluation of options. APA's Board and management are committed to quick action to evaluate these options and getting APEX back in full gear.

Response to Plan Member Service Requests

Benchmarks have been established for responding to various plan member service requests. These timelines are assessed annually to determine if they can be adjusted to improve service to plan members. Employee and member survey results are used by APA to evaluate benchmarks and improve customer satisfaction.

Completing a service depends on receiving the necessary information from an employer, another pension plan or the member. The benchmarks on page 11 have been set for providing major services, where all required documents have been received.

Communication Activities

Through APA, MEPP communicates with employers and Plan members with mailings, Member Information Seminars upon request when numbers are sufficient, APA Web site information, telephone discussions, e-mails and one-on-one counseling.

During 1999, the 1998 MEPP Annual Report was produced and distributed and the 1998 Annual Report Highlights Brochure was distributed through employers to Plan members. For the first time, the Annual Report and Highlights brochure were featured on APA's Web site (www.apaco.ab.ca).

Service Measure	Performance Benchmark (Calendar Days)	Target	Actual
Response to telephone inquiries	1 day from receipt	100	94
e-mail acknowledged	2 days from receipt	100	95
Pension estimates produced	5 days from receipt of completed application	100	89
Written enquires resolved or acknowledged	2 days from receipt	100	78
Optional service applications finalized	21 days from application	100	46
Termination payments finalized	21 days from date of completed choice	100	96
Pensioners receiving pension payment	30 days after retirement	100	94
Retirements finalized	60 days after interim payment	100	72
External transfers completed	180 days from receipt of completed application	100	60
Member Annual Statements produced	end of first quarter end of second quarter	75 100	0 47
Employer satisfaction survey results	very satisfied satisfied somewhat satisfied	60 35 5	28 60 7

Performance Measurements

Each year APA participates in a nation-wide survey of public sector pension administrators known as the Quantitative Service Measurement (QSM). The survey, administered by Corden Consultants, compares APA's cost and service delivery times with those of other large pension administrators. The 1999 results showed APA continues to be one of the most cost-effective pension plan administrators of similar size. Service standards also compare favourably with other QSM participants.

In addition, APA annually surveys employers to determine their level of satisfaction with APA services. The customer survey conducted in early 1999 received responses from about half the employers. Of those reporting, close to 90% were "satisfied" or "very satisfied" with services provided.

APA reviews its performance by measuring achievements against pre-determined standards for major activities. Those activities which do not match established standards are reviewed and actions are taken to meet objectives.

Increase in Actuarial Value of Net Assets

During the year, the actuarial value of net assets available for benefits for MEPP increased by $102.5 million to $1.36 billion. Investment income amounted to $206.2 million, compared with $105.3 million the previous year. Total pension contributions were $36.3 million, compared to $39.5 million in 1998. The 1999 contributions included $15.2 million from members (1998 - $16.7 million) and $21.1 million from employers (1998 - $22.8 million).

Pension Payments

Payments from the Plan in 1999 totalled $106.9 million. This was comprised of $38.2 million in pension benefit payments; $1.6 million in refunds to members, $0.8 million in administration expenses and $66.3 million due to the withdrawal of Alberta Treasury Branches from the MEPP. There was also a corresponding reduction in the Plan's liabilities.

The administration expenses - amounting to $139 per member-included general administration costs, investment costs and actuarial fees compared to $124 per member in 1998. The $15 increase is a result of $23 for the APEX project and increased Plan specific costs of $7, offset by decreases in investment management of $4 and in operating costs of $11.

Restructuring

In December, the provincial cabinet approved amendments to regulations that resolved arrangements for employees affected by government restructuring. This included the permanent grandfathering of MEPP employees at Lakeland College, Edmonton Public Schools, Pembina Regional District No. 7 and the Alberta Mental Health Board as members of MEPP as long as they remain in a management position with their current employer or a future employer. Also, the participation of Alberta Vocational Colleges management employees in MEPP was extended for another year.

Supplementary Retirement Plan

Effective July 1, 1999, the Government of Alberta established a Supplementary Retirement Plan (SRP) for public service managers. The SRP provides additional pension benefits to eligible MEPP members based on their income in excess of MEPP's maximum pensionable salary of $86,111 per year (the limit set by the *Income Tax Act*).

Service Measure	Performance Benchmark (Calendar Days)	Target %	Actual %
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APA reviews its performance by measuring achievements against pre-determined standards for major activities. Those activities which do not match established standards are reviewed and actions are taken to meet objectives.

Increase in Actuarial Value of Net Assets

During the year, the actuarial value of net assets available for benefits for MEPP increased by $102.5 million to $1.36 billion. Investment income amounted to $206.2 million, compared with $105.3 million the previous year. Total pension contributions were $36.3 million, compared to $39.5 million in 1998. The 1999 contributions included $15.2 million from members (1998 - $16.7 million) and $21.1 million from employers (1998 - $22.8 million).

Pension Payments

Payments from the Plan in 1999 totalled $106.9 million. This was comprised of $38.2 million in pension benefit payments; $1.6 million in refunds to members, $0.8 million in administration expenses and $66.3 million due to the withdrawal of Alberta Treasury Branches from the MEPP. There was also a corresponding reduction in the Plan's liabilities.

The administration expenses - amounting to $139 per member-included general administration costs, investment costs and actuarial fees compared to $124 per member in 1998. The $15 increase is a result of $23 for the APEX project and increased Plan specific costs of $7, offset by decreases in investment management of $4 and in operating costs of $11.

Restructuring

In December, the provincial cabinet approved amendments to regulations that resolved arrangements for employees affected by government restructuring. This included the permanent grandfathering of MEPP employees at Lakeland College, Edmonton Public Schools, Pembina Regional District No. 7 and the Alberta Mental Health Board as members of MEPP as long as they remain in a management position with their current employer or a future employer. Also, the participation of Alberta Vocational Colleges management employees in MEPP was extended for another year.

Supplementary Retirement Plan

Effective July 1, 1999, the Government of Alberta established a Supplementary Retirement Plan (SRP) for public service managers. The SRP provides additional pension benefits to eligible MEPP members based on their income in excess of MEPP's maximum pensionable salary of $86,111 per year (the limit set by the *Income Tax Act*).

The SRP is available for MEPP members who are managers in the provincial government or of agencies that apply to participate in the SRP.

The SRP is funded equally by contributions from eligible employees and participating employers at rates determined from time to time by the Provincial Treasurer based on actuarial reports.

The SRP is held in a trust which is administered by the Provincial Treasurer separate from MEPP assets (See Note 13 to the Financial Statements on page 27). The MEPP Board has no responsibility or authority regarding the SRP, but includes information on it in this report because of its importance to eligible members.

A Supplementary Retirement Plan Reserve Fund enables participating employers to set aside additional funds to meet the SRP's obligations. The financial statements of the Reserve Fund will be included in the Ministry of Treasury's 2000 Annual Report.

Year 2000 Issue

Complying with due diligence requirements associated with the Year 2000 computer issue, APA was well-prepared and had sound contingency plans in place for potential problems. As a result of this preparation, no APA customers were impacted and operations continued normally. A continuing benefit from these efforts is the expansion of risk management procedures and documentation for future business recovery scenarios. For IMD, Y2K was a non-event. Computer systems handled the calendar change. No significant disruptions materialized in either the economy or capital markets. Within IMD, a business-as-usual stance was taken and maintained throughout the year-end period. As a result, the Plan was able to maintain a fully invested stance and take advantage of the strong equity market rally.

Actuarial Opinion & Cost Certificate

This report has been prepared at the request of the Management Employees Pension Plan Board. The purposes of this report are to prepare actuarial estimates on the funded status of the Management Employees Pension Plan on an ongoing basis as at December 31, 1999, on the normal actuarial cost for the current service benefits, and on the solvency position of the Plan as at December 31, 1999.

The results were determined using membership data and financial information supplied by Alberta Pensions Administration Corporation. Various tests were performed on the data to ensure validity and reasonableness of results as well as to perform a reconciliation of results with the previous valuation as at December 31, 1997. In our opinion, the data is sufficient and reliable for the purposes of this report.

The actuarial cost method utilized in this report was the Projected Accrued Benefit actuarial cost method prorated on service. The asset valuation method adopted was based on the market value of assets with a smoothing adjustment intended to reduce market volatility at the valuation date. Under this method, realized and unrealized capital gains and losses are recognized over a three year period starting with the year they arise.

The asset values were provided by Alberta Pensions Administration Corporation. We have relied on this information in determining the actuarial value of assets at the valuation date.

The results of the actuarial valuation are summarized below:

	Pre 1992 ($000,000's)	Post 1991 ($000,000's)	Total ($000,000's)
Actuarial Value of Assets	998.5	360.2	1,358.7
Actuarial Liabilities	**972.3**	**340.4**	**1,312.7**
Surplus (Unfunded Liability)	26.2	19.8	46.0

The normal actuarial cost of benefits and expenses expected to accrue in the year following the valuation date is estimated to be $37.8 million or 18.7% of 2000 expected pensionable payroll. It is recommended that the required contributions be increased from 15% to 18.5% effective January 1, 2000. It is recommended that the balance of the normal actuarial cost (0.2% of pensionable earnings) be taken from the post-1991 surplus.

The solvency valuation of the benefits accrued in respect of post-1991 service has disclosed no solvency deficiency.

Cost Certificate for Funding Purposes

In our opinion:

a) the data upon which this valuation is based are sufficient and reliable;

b) the assumptions are, in aggregate, appropriate for the purpose of establishing the financial position of the Plan;

c) the methods employed are appropriate for the purpose of establishing the financial position of the Plan and the funding contribution requirements pursuant to the *Public Sector Pension Plans Act*.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and the opinions contained herein are given in accordance with accepted actuarial practice.

Respectfully submitted,

Wayne R. Berney, FSA FCIA
Senior Vice President
Aon Consulting Inc.

Robert J. Thiessen, FSA, FCIA
Vice President
Aon Consulting Inc.

Date: May 1, 2000

Actuarial Opinion & Cost Certificate

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Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and the opinions contained herein are given in accordance with accepted actuarial practice.

Respectfully submitted,

Wayne R. Berney, FSA FCIA
Senior Vice President
Aon Consulting Inc.

Robert J. Thiessen, FSA, FCIA
Vice President
Aon Consulting Inc.

Date: May 1, 2000

Management's Responsibility for Financial Reporting

The financial statements and information in the 1999 Annual Report are the responsibility of the Provincial Treasurer and Alberta Pensions Administration Corporation and have been approved by management and the Board.

The financial statements have been prepared in conformity with generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the 1999 Annual Report that relates to the operations and financial position of the Management Employees Pension Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, both the Provincial Treasurer, acting in the capacity of investment manager, and Alberta Pensions Administration Corporation, acting in the capacity of pension administrator, maintain a system of internal accounting controls comprising written policies, standards and procedures, and a formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. His examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.

Paul Pugh, CFA
Chief Investment Officer
Investment Management Division
Alberta Treasury

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Auditor's Report

To the Provincial Treasurer

I have audited the statement of net assets available for benefits and accrued benefits of the Management Employees Pension Plan as at December 31, 1999 and the statement of changes in net assets available for benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
May 4, 2000

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 1999

($ thousands)

	1999	1998
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$ 1,446,515	$ 1,305,852
Accrued investment income	281	213
Contributions receivable (Note 6)	2,953	3,112
	1,449,749	1,309,177
Liabilities		
Accounts Payable (Note 7)	5,355	469
Net assets available for benefits	1,444,394	1,308,708
Asset fluctuation reserve (Note 8)	(86,700)	(53,500)
Actuarial value of net assets available for benefits	1,357,694	1,255,208
Accrued Benefits		
Actuarial value of accrued benefits (Note 12)	1,311,675	1,250,853
Actuarial surplus (Note 12)	$ 46,019	$ 4,355

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 1999

($ thousands)

	1999	1998
Increase in assets		
Investment income (Note 9)	$ 206,210	$ 105,296
Contributions		
Current and past service*		
Employers	15,777	17,000
Employees	13,681	15,175
Unfunded liability		
Employers	5,403	5,762
Employees	1,475	1,571
Transfers from other plans	1	34
	36,337	39,542
Total increase in assets	242,547	144,838
Decrease in assets		
Pension benefits	38,232	33,483
Refunds to members	1,554	2,651
Transfer to Alberta Treasury Branches (Note 10)	66,279	-
Administration expenses (Note 11)	796	659
Total decrease in assets	106,861	36,793
Increase in net assets for the year	135,686	108,045
Net assets available for benefits at beginning of year	1,308,708	1,200,663
Net assets available for benefits at end of year	**$ 1,444,394**	**$ 1,308,708**

* Net of transfer of current service contributions to Alberta Treasury Branches in 1999.

See accompanying notes and schedules.

Statement of Changes in Accrued Benefits

For the year ended December 31, 1999

($ thousands)

	1999			1998
	Pre-1992	**Post-1991**	**Total**	**Total**
Increase in accrued benefits				
Interest accrued on benefits	$ 71,060	$ 22,754	$ 93,814	$ 90,000
Benefits earned	-	32,900	32,900	32,200
Changes in actuarial assumptions*	15,968	4,793	20,761	-
Net experience losses*	4,828	6,409	11,237	-
Increase in accrued benefits	91,856	66,856	158,712	122,200
Decrease in accrued benefits				
Benefits paid including interest	33,525	6,761	40,286	37,000
Transfer to Alberta Treasury Branches (Note 10)	34,460	23,144	57,604	-
Decrease in accrued benefits	67,985	29,905	97,890	37,000
Net increase in accrued benefits	23,871	36,951	60,822	85,200
Accrued benefits at beginning of year	947,471	303,382	1,250,853	1,165,653
Accrued benefits at end of year (Note 12)	**$ 971,342**	**$ 340,333**	**$ 1,311,675**	**$ 1,250,853**

* An actuarial valuation was carried out at December 31, 1999 and an extrapolation was performed at December 31, 1998.

See accompanying notes and schedules.

Statement of Changes in Actuarial Surplus

For the year ended December 31, 1999

($ thousands)

	1999			1998
	Pre-1992	**Post-1991**	**Total**	**Total**
Actuarial surplus (deficiency) at beginning of year as originally reported	$ 13,329	$ 28,726	$ 42,055	$ (6,490)
Effect of change in accounting method (Note 8) - net increase in asset fluctuation reserve	(28,800)	(8,900)	(37,700)	(48,200)
Actuarial surplus (deficiency) at beginning of year as restated	(15,471)	19,826	4,355	(54,690)
Increase in net assets available for benefits	89,894	45,792	135,686	108,045
Net decrease (increase) in asset fluctuation reserve	(24,400)	(8,800)	(33,200)	36,200
Net increase in accrued benefits	(23,871)	(36,951)	(60,822)	(85,200)
Actuarial surplus at end of year (Note 12)	**$ 26,152**	**$ 19,867**	**$ 46,019**	**$ 4,355**

See accompanying notes and schedules.

Notes to the Financial Statements for 1999

Note 1
Summary Description of the Plan

The following description of the Management Employees Pension Plan is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993 and Alberta Regulation 367/93, as amended.

(a) General

The Management Employees Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan.

(b) Funding

Current service costs are funded by employer and employee contributions at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 1999 are 8.0% of pensionable salary for employers and 7.0% for employees. The rates are to be reviewed at least once every three years by the Provincial Treasurer based on recommendations of the Plan's actuary.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation was financed by additional contributions from employers and employees. The rates were set so that additional contributions would eliminate the unfunded liability on or before December 31, 2043. Transitional rates for 1999 based on pensionable salary are 2.75% for employers and 0.75% for employees. As there is a surplus in respect of benefits accrued for pre-1992 service (see Note 12), these additional contributions to liquidate the pre-1992 unfunded liability are no longer required by the *Public Sector Pension Plans Act* effective December 31, 1999.

(c) Retirement Benefits

The Plan provides a pension of 2.0% of pensionable earnings up to the federal cap for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the Plan.

All reciprocal agreements were terminated in 1994. New reciprocal agreements were or are being negotiated to provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not reflect the funding requirements of the Plan.

The majority of Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership 1999	1998
Canadian Dollar Public Bond Pool	5.7	6.2
Canadian Pooled Equities Fund	7.7	8.4
Domestic Passive Equity Pooled Fund	8.1	7.6
External Managers Fund	5.5	6.2
EAFE Structured Equity Pooled Fund	6.9	-
Floating Rate Note Pool	0.4	-
Private Equity Pool	7.6	7.8
Private Mortgage Pool	5.9	6.7
US Passive Equity Pooled Fund	6.4	6.3
US Structured Equity Pooled Fund	7.0	-
United States Pooled Equities Fund	6.3	6.3
Global Structured Equity Pooled Fund	-	6.0
Private Bond Pool	-	6.9
Private Real Estate Pool	-	5.3
Transition Account	-	9.9

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned, and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

(j) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0570887.

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Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

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Canadian Pooled Equities Fund	7.7	8.4
Domestic Passive Equity Pooled Fund	8.1	7.6
External Managers Fund	5.5	6.2
EAFE Structured Equity Pooled Fund	6.9	-
Floating Rate Note Pool	0.4	-
Private Equity Pool	7.6	7.8
Private Mortgage Pool	5.9	6.7
US Passive Equity Pooled Fund	6.4	6.3
US Structured Equity Pooled Fund	7.0	-
United States Pooled Equities Fund	6.3	6.3
Global Structured Equity Pooled Fund	-	6.0
Private Bond Pool	-	6.9
Private Real Estate Pool	-	5.3
Transition Account	-	9.9

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The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

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To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Derivative Financial Instruments

Income and expense on index swaps and interest rate swaps are accrued as earned, and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value. As explained in Notes 4 and 5, controls are in place respecting the use of derivatives.

Note 3 Investments

Investments are summarized as follows:

	1999 ($thousands)	1999 %	1998 ($thousands)	1998 %
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 3,335	0.2	$ 4,043	0.3
Fixed Income Securities				
Canadian Dollar Public Bond Pool (b) (Schedule A)	459,205	31.8	515,657	39.5
Private Mortgage Pool (c)	59,826	4.1	61,645	4.7
Real Rate of Return Bonds (d)	40,655	2.8	20,191	1.6
Floating Rate Note Pool (e)	10,211	0.7	-	-
Private Bond Pool	-	-	112	-
Total deposit and fixed income securities	573,232	39.6	601,648	46.1
Canadian Equities				
Canadian Pooled Equities Fund (f) (Schedule B)	203,823	14.1	147,560	11.3
Domestic Passive Equity Pooled Fund (g) (Schedule C)	203,655	14.1	144,180	11.0
External Managers Fund (Canadian) (h) (Schedule D)	81,587	5.6	65,728	5.0
Private Equity Pool (i)	5,863	0.4	7,450	0.6
Transition Account and miscellaneous	-	-	114	-
	494,928	34.2	365,032	27.9
Foreign Equities				
External Managers Fund (Global) (h) (Schedule D)	158,776	11.0	151,672	11.6
External Managers Fund (United States) (h) (Schedule D)	84,067	5.8	37,609	2.9
EAFE Structured Equity Pooled Fund (j)	67,657	4.7	-	-
US Passive Equity Pooled Fund (k)	45,462	3.2	38,068	2.9
US Structured Equity Pooled Fund (l)	21,980	1.5	-	-
United States Pooled Equities Fund	413	-	1,007	0.1
Global Structured Equity Pooled Fund	-	-	81,187	6.2
	378,355	26.2	309,543	23.7
Equities in Real Estate				
Private Real Estate Pool	-	-	29,629	2.3
Total equities	873,283	60.4	704,204	53.9
Total investments	**$ 1,446,515**	**100.0**	**$1,305,852**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. The pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at December 31, 1999, mortgages held by the pool have an average effective yield of 7.95% per annum based on market (1998: 6.92%). Approximately 65% of the mortgages held will mature in ten years or less (1998: 90%).

(d) Bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation, and have terms to maturity of over 20 years.

(e) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 35 Index. The other portion of the portfolio fully replicates the TSE 300.

(h) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe, Australia and Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(e)] to generate the floating rate cash flows needed for its equity swap obligations.

(k) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

(l) The US Structured Equity Pooled Fund is in the process of orderly liquidation and merging with the US Passive Equity Pooled Fund.

Note 4
Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a policy asset mix of 30% to 60% fixed income instruments and 40% to 70% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5
Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Futures Contracts

Pooled funds use index and interest rate swaps to enhance return and for hedging risks. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. There are underlying securities supporting all swaps. Leveraging is not allowed.

Note 5 Derivatives: Index Swaps, Interest Rate Swaps, Foreign Exchange and Future Contracts continued...

The following is a summary of the Plan's proportionate share of the current and contractual notional value of index and interest rate swaps held or issued by pooled funds at December 31, 1999.

	1999	1998
	($thousands)	
Index swaps		
Foreign equities		
EAFE Structured Equity Pooled Fund	$ 67,439	$ -
US Passive Equity Pooled Fund	45,893	38,081
US Structured Equity Pooled Fund	21,867	-
Global Structured Equity Pooled Fund	-	75,766
Canadian equities - Domestic Passive Equity Pooled Fund	84,146	58,534
Bonds - Canadian Dollar Public Bond Pool	78,123	94,390
Interest rate swaps		
Fixed to floating		
Canadian Dollar Public Bond Pool	68,820	63,255
Domestic Passive Equity Pooled Fund	50,556	39,939
EAFE Structured Equity Pooled Fund	40,539	-
US Structured Equity Pooled Fund	15,122	-
US Passive Equity Pooled Fund	8,013	3,545
Floating Rate Note Pool	7,614	-
Global Structured Equity Pooled Fund	-	50,654
	$ 488,132	**$ 424,164**

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at December 31, 1999, the Plan's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to $16,636,000 (1998: $29,204,000).

Stock futures contracts are contractual agreements to receive or pay cash on an agreed settlement date based on the changes in the level of a specified stock index in the future. As at December 31, 1999, the Plan's proportionate share of the notional value of stock index futures contracts issued by the External Managers Fund amounted to $318,000 (1998: $Nil).

Note 6
Contributions Receivable

	1999	1998
	($ thousands)	
Employers	$ 1,737	$ 1,803
Employees	1,216	1,309
	$ 2,953	**$ 3,112**

Note 7
Accounts Payable

	1999	1998
	($ thousands)	
Benefits	$ 32	$ 16
Refunds	221	320
Payable to Alberta Treasury Branches	5,117	-
Payable to Public Service Management (Closed Membership) Pension Plan	1	-
Administration expenses	(16)	133
	$ 5,355	**$ 469**

Note 8
Change in Accounting Method of Calculating the Asset Fluctuation Reserve

Investments held by the Plan are stated at fair value as at December 31, 1999. In order to minimize the effects of market volatility on asset values, the actuarial value of assets has been determined by adjusting assets by an asset fluctuation reserve. The method of determining the actuarial value of net assets available for benefits has been changed from that used in 1997 and 1998 on the recommendation of the Plan's actuary. Prior to 1999, the asset fluctuation reserve was determined by amortizing annual net unrealized gains and losses equally over three years. In 1999, the asset fluctuation reserve was determined by amortizing annual net realized and unrealized gains and losses equally over three years commencing at the beginning of the current year. As with the liability for accrued benefits, the asset fluctuation reserve has been allocated between the pre-1992 and post-1991 periods.

The asset fluctuation reserve for 1997 and 1998 has been restated to reflect this change in accounting method. The change in method has the effect of reducing the actuarial value of net assets available for benefits and decreasing the surplus by $56.9 million in 1999 (1998: $37.7 million). If the change had not been made, the actuarial surplus of the Plan would have been $102.9 million as at December 31, 1999 (1998: $42.1 million).

Note 9
Investment Income

	1999			1998
	Income (a)	Change in Fair Value	Total	Total
		($thousands)		
Deposits and Fixed Income Securities:				
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,010	$ -	$ 1,010	$ 646
Canadian Dollar Public Bond Pool	22,962	(28,509)	(5,547)	41,412
Private Mortgage Pool	4,487	(4,401)	86	5,541
Real Rate of Return Bonds	2,484	1,141	3,625	1,515
Floating Rate Note Pool	159	(136)	23	-
Private Bond Pool	-	4	4	2,883
	31,102	(31,901)	(799)	51,997
Equities:				
Canadian Pooled Equities Fund	2,886	49,675	52,561	(5,413)
Domestic Passive Equity Pooled Fund	22,991	27,378	50,369	(22,338)
External Managers Fund (Canadian)	906	9,382	10,288	(195)
Private Equity Pool	212	720	932	(74)
Transition Account and miscellaneous	3	(14)	(11)	17,928
External Managers Fund (Global)	2,382	47,372	49,754	31,610
External Managers Fund (United States)	405	10,646	11,051	10,592
EAFE Structured Equity Pooled Fund	12,373	259	12,632	-
US Passive Equity Pooled fund	8,262	(2,778)	5,484	8,136
US Structured Equity Pooled Fund	1,598	98	1,696	-
United States Pooled Equities Fund	2	(518)	(516)	(1,638)
Global Structured Equity Pooled Fund	13,832	(1,061)	12,771	11,240
Private Real Estate Pool	-	(2)	(2)	3,451
	65,852	141,157	207,009	53,299
	$ 96,954	**$ 109,256**	**$ 206,210**	**$105,296**

(a) Income is comprised of dividends, interest, gain and loss on swaps net of pooled funds management and associated custodial fees.

Note 10
Transfer to Alberta Treasury Branches

During the year, the withdrawal of all active members of Alberta Treasury Branches (ATB) from the Management Employees Pension Plan (MEPP) was approved effective December 31, 1998. Accordingly, the Plan's actuary determined that assets totalling $57,604,000 and $2,252,000, respectively, were required to be transferred to ATB and the Public Service Management (Closed Membership) Pension Plan on behalf of ATB. These amounts were calculated in accordance with provisions of the *Public Sector Pension Plans Act, Alberta Regulation 489/99* and actuarial assumptions approved by the Board for the actuarial valuation as at December 31, 1998. These amounts plus an adjustment for the market return of MEPP from December 31, 1998 to the date of transfer totalling $63,309,000 and $2,470,000, respectively, were reported as Decrease in Assets in the Statement of Changes in net Assets Available for Benefits. In addition, interest on the contributions made by or in respect of transferred members during 1999 totalling $500,000 was transferred to the ATB in December 1999.

Note 11
Administration Expenses

	1999	1998
	($ thousands)	
General administration costs	$ 538	$ 438
Investment management costs	215	219
Actuarial fees	43	2
	$ 796	**$ 659**

General administration costs, including board costs of $87,000 (1998: $42,000), were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Treasury and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 1999, total administration costs of $796,000 amounted to $139 per member (1998: $124 per member). The $15 per member cost net increase in 1999 is attributed to the following factors: increase in business process reengineering cost $23, increase in plan specific cost $7, decrease in investment management cost $4 and decrease in operating cost $11.

Note 12
Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. The December 31, 1999 valuation resulted in an actuarial surplus of $46 million as disclosed in the statement of net assets available for benefits and accrued benefits.

The valuation was determined as at December 31, 1999 using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, approved by the Management Employees Pension Board.

The major assumptions used were:

	December 31	
	1999 Valuation	1998 Extrapolation
	%	%
Asset real rate of return	4.25	4.0
Inflation rate (after phasing-in period)	3.0	3.5
Investment rate of return	7.25	7.5
Salary escalation rate* (after phasing-in period)	3.0	3.5
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Excludes merit and promotion

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits. The following table summarizes the accrued benefits, actuarial value of net assets and the resulting actuarial surplus or deficiency as at December 31, 1999:

Note 12 Accrued Benefits
(a) Actuarial valuation continued...

	1999			1998
	Pre-1992	Post-1991	Total	Total
Fair value of net assets	$1,062,694	$ 381,700	$1,444,394	$1,308,708
Asset fluctuation reserve (Note 8)	(65,200)	(21,500)	(86,700)	(53,500)
Actuarial value of net assets	997,494	360,200	1,357,694	1,255,208
Accrued pension benefits	971,342	340,333	1,311,675	1,250,853
Actuarial surplus	$ 26,152	$ 19,867	$ 46,019	$ 4,355

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

As at December 31, 1999 holding the nominal investment return and salary escalation assumptions constant, a 1% increase in the assumed long-term inflation rate would result in actuarial surplus of the Plan changing from a surplus of $46 million to a deficiency of $50 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 20.0%.

As at December 31, 1999 holding the inflation and nominal investment return assumptions constant, a 1% increase in the assumed salary escalation would result in the actuarial surplus of the Plan changing from $46 million to $21.5 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 19.3%.

As at December 31, 1999 holding the inflation rate and salary escalation assumptions constant, a 1% decrease in the assumed long-term investment return would result in the actuarial surplus of the Plan changing from a surplus of $46 million to a deficiency of $164.4 million. The current service cost as a percentage of pensionable earnings would increase from 18.7% to 22.4%.

Note 13
Supplementary Retirement Plan

The Supplementary Retirement Plan for Public Service Managers (SRP) has been established by the Government effective July 1, 1999 to provide additional pension benefits to eligible plan members whose pensionable earnings are in excess of the maximum yearly pensionable earnings allowed by the federal *Income Tax Act* (federal cap). The SRP is administered by the Provincial Treasurer as a separate trust. Accordingly, the SRP's net assets available for benefits, liabilities for accrued benefits and actuarial surplus referred to below have not been included in these financial statements.

The SRP is funded equally by contributions from eligible employers and participating employees at rates of 7.75% each of pensionable salary that are in excess of the federal cap. If assets held in the trust are insufficient to pay for benefits as they become due, the amount due is payable by participating employers. As a result, participating employers have deposited money into the Supplementary Retirement Plan Reserve Fund (Reserve Fund), at rates determined by the SRP's actuary, to provide for their future obligations to the SRP. The assets and liabilities of the Reserve Fund are included in the Ministry of Treasury consolidated financial statements and the financial statements of the Reserve Fund are included in the Treasury Annual Report.

A summary of the net assets available for benefits and accrued benefits for the SRP as at December 31, 1999 is as follows:

	($ thousands)
Net Assets Available For Benefits	
Cash, short-term deposits and accounts receivable	$ 323
Accounts Payable	150
	173
Accrued receivable from the Reserve Fund	768
Net assets available for benefits	941
Accrued Benefits	
Actuarial value of accrued benefits	908
Actuarial surplus	**$ 33**

Note 13 Supplementary Retirement Plan continued...

The actuarial value of accrued benefits for the SRP was determined as at June 30, 1999 by Crouse Dorgan Consultants Inc. and extrapolated to December 31, 1999. The valuation was carried out using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the SRP's actuary, approved by the Provincial Treasurer.

The major assumptions used in the valuation include a long-term real rate of return on assets of 4.0% based on a long-term investment return of 7.25%, price inflation of 3.25% and a salary escalation rate of 3.75%.

SRP's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the SRP.

Note 14
Budget Information

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience gains and losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

Note 15
Comparative figures

Comparative figures have been restated to be consistent with the 1999 presentation.

Note 16
Responsibility for Financial Statements

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A
Schedule of Investments in Canadian Dollar Public Bond Pool (a)

As at December 31, 1999
($ thousands)

	Plan's Share	
	1999	**1998**
Deposit in the Consolidated Cash Investment Trust Fund	$ 3,251	$ 2,926
Public Fixed Income Securities		
Government of Canada direct and guaranteed	123,000	166,815
Provincial:		
Alberta, direct and guaranteed	2,044	12,213
Other, direct and guaranteed	68,209	72,221
Municipal	5,126	4,009
Corporate	192,838	181,645
Private Fixed Income Securities		
Corporate	59,933	70,972
Total deposit and fixed income securities	454,401	510,801
Receivable from sale of investments and accrued investment income	5,675	6,936
Liabilities for investment purchases	(871)	(2,080)
	4,804	4,856
	$ 459,205	**$ 515,657**

(a) Fixed income securities held as at December 31, 1999 had an average effective current yield of 6.47% per annum based on market value (1998: 5.44% per annum). The following term structure of these securities as at December 31, 1999 is based on par value.

	1999	**1998**
	%	
under 1 year	11	11
1 to 5 years	34	36
5 to 10 years	29	26
10 to 20 years	17	18
over 20 years	9	9
	100	**100**

Schedule B
Schedule of Investments in Canadian Pooled Equities Fund

As at December 31, 1999
($ thousands)

	Plan's Share	
	1999	**1998**
Deposit in the Consolidated Cash Investment Trust Fund	$ 429	$ 613
Canadian Public Equities (a):		
Common shares and rights:		
Communications and media	16,528	5,368
Conglomerates	9,680	7,044
Consumer products	6,523	10,215
Financial services	27,022	34,262
Gold and precious minerals	6,930	6,764
Industrial products	62,281	26,985
Merchandising	3,394	3,281
Metals and minerals	7,815	5,955
Oil and gas	18,250	12,400
Paper and forest products	4,016	3,201
Pipelines	2,717	4,183
Real estate and construction	5,386	3,475
Transportation and environmental services	3,679	5,190
Utilities	27,866	17,365
	202,087	145,688
Passive index	1,238	725
	203,325	146,413
Receivable from sale of investments and accrued investment income	702	2,012
Liabilities for investment purchases	(633)	(1,478)
	69	534
	$ 203,823	**$ 147,560**

(a) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule C
Schedule of Investments in Domestic Passive Equity Pooled Fund

December 31, 1999
($ thousands)

	Plan's Share	
	1999	**1998**
Deposit in the Consolidated Cash Investment Trust Fund	$ 4,615	$ 2,618
Short-term Securities	721	983
Floating Rate Note Pool	66,823	44,351
	72,159	47,952
Canadian Public Equities (a):		
Common shares and rights:		
Communications and media	8,842	4,503
Conglomerates	3,599	2,965
Consumer products	6,074	6,031
Financial services	16,030	17,752
Gold and precious minerals	4,047	4,486
Industrial products	37,879	16,002
Merchandising	4,030	3,301
Metals and minerals	4,397	2,877
Oil and gas	10,905	7,704
Paper and forest products	3,861	2,221
Pipelines	1,680	2,578
Real estate and construction	2,544	1,922
Transportation and environmental services	1,834	2,033
Utilities	16,761	10,361
	122,483	84,736
Passive Index	339	-
Domestic Structured Equity Pooled Fund	-	9,233
United States Public Equities	-	193
Receivable from sale of investments and accrued investment income	8,674	2,780
Liabilities for investment purchases	-	(714)
	8,674	2,066
	$ 203,655	**$ 144,180**

(b) The industrial classifications are those used by the Toronto Stock Exchange.

Schedule D
Schedule of Investments in External Managers Fund
As at December 31, 1999
($ thousands)

	Plan's Share	
	1999	**1998**
Canadian Public Equity Pools		
Large Cap	$ 56,015	$ 41,159
Small Cap	25,572	24,569
	81,587	65,728
Foreign Public Equity Pools		
Multi Region	36,658	67,323
Europe	62,684	52,592
Pacific Basin	54,328	28,792
Emerging markets	5,106	2,965
	158,776	151,672
United States	84,067	37,609
	$ 324,430	**$ 255,009**

Glossary

TERMS

Active Member
A member who is making contributions or, if not making contributions, is on non-contributory leave for up to three years, on approved disability leave, or at the point of maximum pensionable service (35 years).

Active Management Strategies
These strategies have two forms - security selection or market timing. Security selection is the buying and selling of securities to earn a return above a market index such as the TSE 300 Index for Canadian stocks. Market timing is based on shifting asset class weights to earn a return above that available from maintaining the asset class exposure of the policy asset mix.

Asset Mix
The percentage of a plan's assets allocated to the major asset classes (for example, 45% fixed income and 55% equities).

Basis point
A measurement of fluctuation in the current yield equal to 1/100 of 1 per cent.

Benchmark
A standard against which others are measured. For the purposes of this report, benchmarks are established income indices (listed in percentages) used to measure the health of the Fund's investment returns.

Bond
A promissory note issued by a company or government which bears a fixed maturity date and rate of return.

Combined Pensionable Service
Pensionable service in both the MEPP and in the Public Service Pension Plan or the Universities Academic Pension Plan is combined to determine the member's vesting status or benefits when retiring or leaving the Plan.

Deferred Member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan and has yet to choose a pension option.

Emerging Markets
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece and Brazil.

Equity
Stock; the ownership interest in a company.

External Manager
A third-party firm contracted to provide investment management services.

Guaranteed Terms - Pension Option
A guaranteed pension is paid for the member's lifetime. If the member dies before the end of the guaranteed period, payments will continue to the designated beneficiary(ies) or estate for the rest of that period.

Interest Rate Sensitive Equity
Equity whose return is expected to react to changes in interest rates.

Joint Life - Pension Option
Pension is payable for the joint lives of the member and the member's nominee (usually the spouse). Upon the death of the member or the nominee, payments continue to the survivor for his or her life. Payments to the survivor may be lower than the original payment, depending on the member's choice at retirement.

Large Cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Manager Structure
Manager structure refers to the number and mandates given to a plan's investment managers. Manager structures can be built around balanced fund mandates where the manager invests across multiple asset classes (Canadian stocks, Canadian bonds, U.S. and International stocks) or specialty mandates where the manager invests in a single asset class. In the case of a specialty mandate the focus can be very specific such as investing in only Canadian small capitalized companies.

Money Market Securities
Fixed income securities that mature in less than one year. Also known as "cash equivalents" since their marketability and characteristics provide easy liquidity access to ready cash, as needed.

Normal - Pension Option
Pension is paid for member's lifetime. If the member dies before the member's spouse, a reduced pension is paid to the spouse for as long as he or she lives.

Passive Equity
Equity bought as Toronto Index Participation Units (TIPS), allowing a fund to buy into the top 35 companies on the Toronto Stock Exchange.

Passive Strategies
These strategies involve investing to replicate the performance of a given market index such as the TSE 300 for Canadian stocks or managing asset class exposure to match the performance of an established policy asset mix such as 50% TSE 300 Index and 50% Scotia Capital Markets Bond Universe Index.

Pensioner
A member, surviving spouse, or beneficiary who is receiving a pension from the Plan.

Policy Asset Mix
The distribution of funds among various types of assets broadly grouped into fixed income and equity related instruments that are specified in the Board's investment policy and offer the highest probability of consistently achieving investment objectives within the confines of a predetermined level of risk.

Policy benchmark
A benchmark return for the Fund which is composed from the long-term asset mix policy and the benchmark indices for each major asset class.

Product
An investment vehicle, such as bonds, cash, money market securities, equities (both domestic and foreign), pooled funds, index funds, etc. offered by an investment manager for the purpose of investing funds to achieve investment goals set out in an investment policy.

Public Service Management (Closed Membership) Plan
This plan, established in Schedule 6 of the Public Sector Pension Plans Act, Chapter P-30.7, RSA, provides retirement benefits for those persons who were members of the Public Service Management Pension Plan prior to 1994 and were retired or eligible to receive a pension from that Plan.

Rate of Return
The real rate of return is the return achieved by an asset after adjustments for inflation.

Real return bond
A fixed income investment product (a bond) whose return is linked to the real interest rate to generate a specified real rate of return. Related terms: The real interest rate is the nominal (set) interest rate minus inflation. The real rate of return is the return achieved by an asset after adjustments for inflation.

Single Life - Pension Option
Pension is paid for member's lifetime but no payments are made to a beneficiary or estate after the pensioner's death. This option is only available when there is no spouse or the spouse waived rights.

Small Cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total Toronto Stock Exchange market capitalization.

Statement of Investment Policies and Goals
A policy document set by the Board to establish the asset mix of the Fund, the manner by which Investment Management Division may invest assets and the specific holding limits for each type of security.

Swap (structured investments)
A contract between two parties to pay the other party the return on an underlying investment.

T-Bill
Short-term government security.

Time-weighted Return
A series of dollar weighted rates of return designed to reduce the impact of the cashflows on a fund's performance. Since the fund manager usually has little control over the timing of the cashflows, the time-weighted return is used to measure the performance of the fund managers.

Total Return
Measures income (dividend, cash, interest and accrued interest) and capital appreciation (or capital depreciation).

Unfunded Liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

INDICES

Consumer Price Index (CPI)
Measures the relative prices at various times of a selected group of goods and services which typify those bought by urban families.

Morgan Stanley Capital International World Index
Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

Russell Canadian Property Index
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

Scotia Capital Markets Universe Bond Index
Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal and Corporate) by quality (AAA, AA, A, and BBB) and term (short-, mid-, and long-).

Scotia Capital Markets 91-Day T-Bill Index
Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaMcLeod.

SEI Median Manager
A reference point for measuring Investment Management Division's performance. SEI Canada Financial Service Limited conducts surveys of balanced fund managers on a quarterly basis to create the SEI Universe. From this, SEI Canada determines the median (or middle-ranked) manager. Related Terms: SEI (Canada) Financial Services Limited is an independent firm that evaluates and reports on investment performance. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks and common stocks designed to conserve the investor's initial principal, pay current income and achieve long-term growth.

Standard & Poor's 500 Index
Measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

TSE 300 Index
Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

Directory - 2000

Board Members

Employee Nominees

Tony Morehen, **Vice-Chair**
Bill Lenius - from March 2000
Theresa Ostrum

Government Nominees

Dianne Keefe, **Chair**
Fred Barth
Vacant

Public Service Commissioner Nominee

Shirley Howe **(Non-voting)**

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Administrator

Alberta Pensions Administration Corporation

Board Secretary

Ken Patterson
Alberta Pensions Administration Corporation

Fund Management

Investment Management Division
Alberta Treasury

Actuary

Aon Consulting Inc.

Auditor

Auditor General of Alberta